



January 30, 2002

HOUSE BILL No. 1356

DIGEST OF HB 1356 (Updated January 29, 2002 1:02 PM - DI 92)

Citations Affected: IC 6-1.1; IC 6-2.1; IC 6-2.5; IC 6-3; IC 6-5.5; IC 6-8.1; IC 21-2; IC 36-7; noncode.

Synopsis: Various tax matters. Specifies circumstances under which a sales tax return does not need to be filed each month. Updates references in law to the Internal Revenue Code to refer to the version of the Internal Revenue Code as amended through January 1, 2002. Eliminates property tax, gross income tax, certain sales tax, adjusted gross income tax, supplemental net income tax, and financial institutions tax exemptions for income and property of an otherwise exempt organization that is earned or used in a trade or business that is not directly related to the purposes for which the organization is exempt. Repeals a conflicting provision that requires property that is predominately used for an exempt purpose to be taxed if the property is used for any purpose that is not substantially related to the exempt purpose. Permits the board of trustees of the South Bend Community Schools to adopt a resolution returning to a calendar year budget cycle. Provides that the resolution may be rescinded. Updates population parameters to reflect changes in the 2000 decennial census. Creates a centralized debt collection program for state agencies in the department of revenue. Increases the total amount of sales tax increment financing distributions that an economic development district in the city of South Bend may receive to \$1,000,000 per year and expands the purposes for which the money received by the district may be used to include expenses related to the acquisition of a commercial retail facility or demolition of commercial property. Permits a taxpayer under certain circumstances to amend a 2001 personal property tax return before January 1, 2003.

Effective: January 1, 2001 (retroactive); January 1, 2002 (retroactive); April 1, 2002 (retroactive); upon passage; January 1, 2003.

Bauer

January 15, 2002, read first time and referred to Committee on Ways and Means.
January 29, 2002, amended, reported — Do Pass.

HB 1356—LS 7124/DI 51+



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January 30, 2002

Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

HOUSE BILL No. 1356

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-1.1-10-36.3 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 36.3. (a) For
3 purposes of this section, property is predominantly used or occupied for
4 one (1) or more stated purposes if it is used or occupied for one (1) or
5 more of those purposes during:
6 (1) **less than one hundred percent (100%); but**
7 (2) more than fifty percent (50%);
8 of the time that it is used or occupied in the year that ends on the
9 assessment date of the property.
10 (b) If a section of this chapter **or another statute** states one (1) or
11 more purposes for which property must be **owned, held in trust**, used,
12 or occupied in order to qualify for an exemption ~~then from property~~
13 **tax under IC 6-1.1 or one (1) or more purposes for which a**
14 **taxpayer must exist, be organized, or be operated in order for its**
15 **property to be exempt from property tax under IC 6-1.1 (including**
16 **section 25 of this chapter)** the exemption applies as follows:
17 (1) **One hundred percent (100%) of the assessed value of**

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property that is exclusively used or occupied for one (1) or more of the stated purposes is ~~totally exempt under that section~~ **from property tax.**

~~(2) Property that is predominantly used, or occupied for one (1) or more of the stated purposes by a church, or religious society, or not-for-profit school is totally exempt under that section.~~

~~(3) (2) If property is used for a purpose that is not exempt from property tax under this chapter or another law but is predominantly used or occupied for one (1) or more of the stated purposes, by a person other than a church, or religious society, or not-for-profit school only part of the assessed value of the property is exempt under that section from property tax. on the part of the assessment of the property that bears the same proportion to the total assessment of the property as Subject to subsection (d), the amount of the deduction is equal to the assessed value of the property multiplied by a fraction. The numerator of the fraction is the amount of time that the property was used or occupied for one (1) or more of the stated purposes during the year that ends on the assessment date of the property. bears to The denominator of the fraction is the amount of time that the property was used or occupied for any purpose during that year.~~

~~(4) (3) None of the assessed value of property that is predominantly used or occupied for a purpose other than one (1) of the stated purposes is not exempt from any part of the property tax.~~

~~(c) Property is not used or occupied for one (1) or more of the stated purposes during the time that a predominant part of the For purposes of subsection (b), property is not being used or occupied for a stated exempt purpose if it is used or occupied in connection with a trade or business that is not substantially directly related to the exercise or performance of one (1) or more of the stated purposes.~~

(d) For purposes of subsection (b)(2), if only part of a building or structure is used for an exempt purpose or a nonexempt purpose, the deduction for the building or structure shall be adjusted to reflect the area in the building devoted to the exempt and nonexempt purposes under the procedures prescribed by the department of local government finance.

SECTION 2. IC 6-1.1-11-3, AS AMENDED BY P.L.198-2001, SECTION 32, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) An owner of tangible property who wishes to obtain an exemption from property taxation shall file a

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certified application in duplicate with the auditor of the county in which the property that is the subject of the exemption is located. The application must be filed annually on or before May 15 on forms prescribed by the department of local government finance. The county auditor shall immediately forward a copy of the certified application to the county assessor. Except as provided in sections 1, 3.5, and 4 of this chapter, the application applies only for the taxes imposed for the year for which the application is filed.

(b) The authority for signing an exemption application may not be delegated by the owner of the property to any other person except by an executed power of attorney.

(c) An exemption application which is required under this chapter shall contain the following information:

(1) A description of the property claimed to be exempt in sufficient detail to afford identification.

(2) A statement showing the ownership, possession, and use of the property.

(3) The grounds for claiming the exemption.

(4) **The percentage of the exemption to which the person is entitled under IC 6-1.1-10-36.3.**

(5) The full name and address of the applicant.

~~(5)~~ (6) Any additional information which the department of local government finance may require.

(d) A person who signs an exemption application shall attest in writing and under penalties of perjury that, to the best of the person's knowledge and belief, a predominant part of the property claimed to be exempt is not being used or occupied in connection with a trade or business that is not ~~substantially~~ **directly** related to the exercise or performance of the organization's exempt purpose.

SECTION 3. IC 6-1.1-17-5, AS AMENDED BY P.L.178-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) The officers of political subdivisions shall meet each year to fix the budget, tax rate, and tax levy of their respective subdivisions for the ensuing budget year as follows:

(1) The fiscal body of a consolidated city and county, not later than the last meeting of the fiscal body in September.

(2) The fiscal body of a second class city, not later than September 30.

(3) The board of school trustees of a school corporation that is located in a city having a population of more than ~~ninety thousand (90,000)~~ **but less than one hundred ten thousand (110,000); one hundred five thousand (105,000) but less than one hundred**

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1 **twenty thousand (120,000), not later than:**

2 **(A) the time required in ~~section 5.6~~ section 5.6(b) of this**
 3 **chapter; or**

4 **(B) September 20 if a resolution adopted under section**
 5 **5.6(d) of this chapter is in effect.**

6 (4) The proper officers of all other political subdivisions, not later
 7 than September 20.

8 Except in a consolidated city and county and in a second class city, the
 9 public hearing required by section 3 of this chapter must be completed
 10 at least ten (10) days before the proper officers of the political
 11 subdivision meet to fix the budget, tax rate, and tax levy. In a
 12 consolidated city and county and in a second class city, that public
 13 hearing, by any committee or by the entire fiscal body, may be held at
 14 any time after introduction of the budget.

15 (b) Ten (10) or more taxpayers may object to a budget, tax rate, or
 16 tax levy of a political subdivision fixed under subsection (a) by filing
 17 an objection petition with the proper officers of the political
 18 subdivision not more than seven (7) days after the hearing. The
 19 objection petition must specifically identify the provisions of the
 20 budget, tax rate, and tax levy to which the taxpayers object.

21 (c) If a petition is filed under subsection (b), the fiscal body of the
 22 political subdivision shall adopt with its budget a finding concerning
 23 the objections in the petition and any testimony presented at the
 24 adoption hearing.

25 (d) This subsection does not apply to a school corporation. Each
 26 year at least two (2) days before the first meeting of the county board
 27 of tax adjustment held under IC 6-1.1-29-4, a political subdivision shall
 28 file with the county auditor:

29 (1) a statement of the tax rate and levy fixed by the political
 30 subdivision for the ensuing budget year;

31 (2) two (2) copies of the budget adopted by the political
 32 subdivision for the ensuing budget year; and

33 (3) two (2) copies of any findings adopted under subsection (c).

34 Each year the county auditor shall present these items to the county
 35 board of tax adjustment at the board's first meeting.

36 (e) In a consolidated city and county and in a second class city, the
 37 clerk of the fiscal body shall, notwithstanding subsection (d), file the
 38 adopted budget and tax ordinances with the county board of tax
 39 adjustment within two (2) days after the ordinances are signed by the
 40 executive, or within two (2) days after action is taken by the fiscal body
 41 to override a veto of the ordinances, whichever is later.

42 SECTION 4. IC 6-1.1-17-5.6, AS ADDED BY P.L.178-2001,



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SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5.6. (a) This section applies only to a school corporation that is located in a city having a population of more than ~~ninety thousand (90,000)~~ but less than ~~one hundred ten thousand (110,000)~~ **one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000).**

(b) Before February 1 of each year, the officers of the school corporation shall meet to fix the budget for the school corporation for the ensuing budget year, with notice given by the same officers. **However, if a resolution adopted under subsection (d) is in effect, the officers shall meet to fix the budget for the ensuing budget year before September 20.**

(c) Each year, at least two (2) days before the first meeting of the county board of tax adjustment held under IC 6-1.1-29-4, the school corporation shall file with the county auditor:

- (1) a statement of the tax rate and tax levy fixed by the school corporation for the ensuing budget year;
- (2) two (2) copies of the budget adopted by the school corporation for the ensuing budget year; and
- (3) any written notification from the ~~state board of tax commissioners~~ **department of local government finance** under section 16(i) of this chapter that specifies a proposed revision, reduction, or increase in the budget adopted by the school corporation for the ensuing budget year.

Each year the county auditor shall present these items to the county board of tax adjustment at the board's first meeting.

(d) The governing body of the school corporation may adopt a resolution to cease using a school year budget year and return to using a calendar year budget year. A resolution adopted under this subsection must be adopted after January 1 and before July 1. The school corporation's initial calendar year budget year following the adoption of a resolution under this subsection begins on January 1 of the year following the year the resolution is adopted. The first six (6) months of the initial calendar year budget for the school corporation must be consistent with the last six (6) months of the final school year budget fixed by the department of local government finance before the adoption of a resolution under this subsection.

(e) A resolution adopted under subsection (d) may be rescinded by a subsequent resolution adopted by the governing body. If the governing body of the school corporation rescinds a resolution adopted under subsection (d) and returns to a school year budget



year, the school corporation's initial school year budget year begins on July 1 following the adoption of the rescinding resolution and ends on June 30 of the following year. The first six (6) months of the initial school year budget for the school corporation must be consistent with the last six (6) months of the last calendar year budget fixed by the department of local government finance before the adoption of a rescinding resolution under this subsection.

SECTION 5. IC 6-2.1-3-23 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 23. The exemptions provided by sections 19, 20, 21, and 22 of this chapter do not apply to gross income received by a taxpayer that is:

- (1) derived from ~~an unrelated~~ a trade or business as defined in ~~Section 513 of the Internal Revenue Code~~; that is not directly related to the purposes for which the taxpayer is exempt under section 19, 20, 21, or 22 of this chapter; and
- (2) does not qualify as receipts from a charitable contribution (as defined in Section 170 of the Internal Revenue Code).

SECTION 6. IC 6-2.5-5-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. (a) Transactions involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

- (1) is an organization which is granted a gross income tax exemption under IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22;
- (2) ~~primarily~~ directly uses the property or service to carry on or to ~~raise money~~ obtain charitable contributions (as defined in Section 170 of the Internal Revenue Code) to carry on the not-for-profit purpose for which it receives the gross income tax exemption; and
- (3) is not an organization operated predominantly for social purposes.

(b) Transactions occurring after December 31, 1976, and involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

- (1) is a fraternity, sorority, or student cooperative housing organization which is granted a gross income tax exemption under IC 6-2.1-3-19; and
- (2) uses the property or service to carry on its ordinary and usual activities and operations as a fraternity, sorority, or student cooperative housing organization.

SECTION 7. IC 6-2.5-6-1, AS AMENDED BY P.L.185-2001, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

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JANUARY 1, 2002 (RETROACTIVE)]: Sec. 1. (a) Each person liable for collecting the state gross retail or use tax shall file a return for each calendar month and pay the state gross retail and use taxes that the person collects during that month. A person shall file the person's return for a particular month with the department and make the person's tax payment for that month to the department not more than thirty (30) days after the end of that month, if that person's average monthly liability for collections of state gross retail and use taxes under this section as determined by the department for the preceding calendar year did not exceed one thousand dollars (\$1,000). If a person's average monthly liability for collections of state gross retail and use taxes under this section as determined by the department for the preceding calendar year exceeded one thousand dollars (\$1,000), that person shall file the person's return for a particular month and make the person's tax payment for that month to the department not more than twenty (20) days after the end of that month.

(b) If a person files a combined sales and withholding tax report and either this section or IC 6-3-4-8.1 requires sales or withholding tax reports to be filed and remittances to be made within twenty (20) days after the end of each month, then the person shall file the combined report and remit the sales and withholding taxes due within twenty (20) days after the end of each month.

(c) Instead of the twelve (12) monthly reporting periods required by subsection (a), the department may permit a person to divide a year into a different number of reporting periods. The return and payment for each reporting period is due not more than twenty (20) days after the end of the period.

(d) Instead of the reporting periods required under subsection (a), the department may permit a retail merchant to report and pay the merchant's state gross retail and use taxes for a period covering:

(1) a calendar year, if the retail merchant's average monthly state gross retail and use tax liability in the previous calendar year does not exceed ten dollars (\$10); ~~or~~

(2) a calendar half year, if the retail merchant's average monthly state gross retail and use tax liability in the previous calendar year does not exceed twenty-five dollars (\$25); **or**

(3) a calendar quarter, if the retail merchant's average monthly state gross retail and use tax liability in the previous calendar year does not exceed seventy-five dollars (\$75).

A retail merchant using a reporting period allowed under this subsection must file the merchant's return and pay the merchant's tax for a reporting period not later than the last day of the month

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immediately following the close of that reporting period.

~~(d)~~ (e) If a retail merchant reports the merchant's gross income tax, or the tax the merchant pays in place of the gross income tax, over a fiscal year or fiscal quarter not corresponding to the calendar year or calendar quarter, the merchant may, without prior departmental approval, report and pay the merchant's state gross retail and use taxes over the merchant's fiscal period that corresponds to the calendar period the merchant is permitted to use under subsection ~~(c)~~: (d). However, the department may, at any time, require the retail merchant to stop using the fiscal reporting period.

~~(e)~~ (f) If a retail merchant files a combined sales and withholding tax report, the reporting period for the combined report is the shortest period required under:

- (1) this section;
- (2) IC 6-3-4-8; or
- (3) IC 6-3-4-8.1.

~~(f)~~ (g) If the department determines that a person's:

- (1) estimated monthly gross retail and use tax liability for the current year; or
- (2) average monthly gross retail and use tax liability for the preceding year;

exceeds ten thousand dollars (\$10,000), the person shall pay the monthly gross retail and use taxes due by electronic fund transfer (as defined in IC 4-8.1-2-7) or by delivering in person or by overnight courier a payment by cashier's check, certified check, or money order to the department. The transfer or payment shall be made on or before the date the tax is due.

(h) If a person's gross retail and use tax payment is made by electronic fund transfer, the taxpayer is not required to file a monthly gross retail and use tax return. However, the person shall file a quarterly gross retail and use tax return before the twentieth day after the end of each calendar quarter.

SECTION 8. IC 6-3-1-11, AS AMENDED BY P.L.9-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002 (RETROACTIVE)]: Sec. 11. (a) The term "Internal Revenue Code" means the Internal Revenue Code of 1986 of the United States as amended and in effect on January 1, ~~2001~~: **2002**.

(b) Whenever the Internal Revenue Code is mentioned in this article, the particular provisions that are referred to, together with all the other provisions of the Internal Revenue Code in effect on January 1, ~~2001~~: **2002**, that pertain to the provisions specifically mentioned, shall be regarded as incorporated in this article by reference and have



the same force and effect as though fully set forth in this article. To the extent the provisions apply to this article, regulations adopted under Section 7805(a) of the Internal Revenue Code and in effect on January 1, ~~2001~~, **2002**, shall be regarded as rules adopted by the department under this article, unless the department adopts specific rules that supersede the regulation.

(c) An amendment to the Internal Revenue Code made by an act passed by Congress before January 1, ~~2001~~, **2002**, that is effective for any taxable year that began before January 1, ~~2001~~, **2002**, and that affects:

- (1) individual adjusted gross income (as defined in Section 62 of the Internal Revenue Code);
- (2) corporate taxable income (as defined in Section 63 of the Internal Revenue Code);
- (3) trust and estate taxable income (as defined in Section 641(b) of the Internal Revenue Code);
- (4) life insurance company taxable income (as defined in Section 801(b) of the Internal Revenue Code);
- (5) mutual insurance company taxable income (as defined in Section 821(b) of the Internal Revenue Code); or
- (6) taxable income (as defined in Section 832 of the Internal Revenue Code);

is also effective for that same taxable year for purposes of determining adjusted gross income under IC 6-3-1-3.5 and net income under IC 6-3-8-2(b).

SECTION 9. IC 6-3-1-3.5, AS AMENDED BY P.L.14-2000, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.5. When used in IC 6-3, the term "adjusted gross income" shall mean the following:

(a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:

- (1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.
- (2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.
- (3) Subtract one thousand dollars (\$1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars (\$1,000).
- (4) Subtract one thousand dollars (\$1,000) for:



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- 1 (A) each of the exemptions provided by Section 151(c) of the
 2 Internal Revenue Code;
 3 (B) each additional amount allowable under Section 63(f) of
 4 the Internal Revenue Code; and
 5 (C) the spouse of the taxpayer if a separate return is made by
 6 the taxpayer and if the spouse, for the calendar year in which
 7 the taxable year of the taxpayer begins, has no gross income
 8 and is not the dependent of another taxpayer.
- 9 (5) Subtract:
- 10 (A) one thousand five hundred dollars (\$1,500) for each of the
 11 exemptions allowed under Section 151(c)(1)(B) of the Internal
 12 Revenue Code for taxable years beginning after December 31,
 13 1996; and
 14 (B) five hundred dollars (\$500) for each additional amount
 15 allowable under Section 63(f)(1) of the Internal Revenue Code
 16 if the adjusted gross income of the taxpayer, or the taxpayer
 17 and the taxpayer's spouse in the case of a joint return, is less
 18 than forty thousand dollars (\$40,000).
- 19 This amount is in addition to the amount subtracted under
 20 subdivision (4).
- 21 (6) Subtract an amount equal to the lesser of:
- 22 (A) that part of the individual's adjusted gross income (as
 23 defined in Section 62 of the Internal Revenue Code) for that
 24 taxable year that is subject to a tax that is imposed by a
 25 political subdivision of another state and that is imposed on or
 26 measured by income; or
 27 (B) two thousand dollars (\$2,000).
- 28 (7) Add an amount equal to the total capital gain portion of a
 29 lump sum distribution (as defined in Section 402(e)(4)(D) of the
 30 Internal Revenue Code) if the lump sum distribution is received
 31 by the individual during the taxable year and if the capital gain
 32 portion of the distribution is taxed in the manner provided in
 33 Section 402 of the Internal Revenue Code.
- 34 (8) Subtract any amounts included in federal adjusted gross
 35 income under Internal Revenue Code Section 111 as a recovery
 36 of items previously deducted as an itemized deduction from
 37 adjusted gross income.
- 38 (9) Subtract any amounts included in federal adjusted gross
 39 income under the Internal Revenue Code which amounts were
 40 received by the individual as supplemental railroad retirement
 41 annuities under 45 U.S.C. 231 and which are not deductible under
 42 subdivision (1).

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(10) Add an amount equal to the deduction allowed under Section 221 of the Internal Revenue Code for married couples filing joint returns if the taxable year began before January 1, 1987.

(11) Add an amount equal to the interest excluded from federal gross income by the individual for the taxable year under Section 128 of the Internal Revenue Code if the taxable year began before January 1, 1985.

(12) Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

(13) In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

(14) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(15) In the case of an eligible individual, subtract the amount of a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

(16) For taxable years beginning after December 31, 1999, subtract an amount equal to the portion of any premiums paid during the taxable year by the taxpayer for a qualified long term care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or both.

(17) Subtract an amount equal to the lesser of:

(A) two thousand five hundred dollars (\$2,500); or

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue

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(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(5) Add an amount equal to the net amount excluded from taxable income under Section 501(a) of the Internal Revenue Code from a trade or business that is not directly related to the purposes for which the corporation is exempt from federal income taxation, after subtracting any deductions from gross income that would be available under the Internal Revenue Code if the income was not exempt from taxation under Section 501(a) of the Internal Revenue Code.

(c) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code):

(1) reduced by income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States; and

(2) increased by an amount equal to the net amount excluded from taxable income under Section 501(a) of the Internal Revenue Code from a trade or business that is not directly related to the purposes for which the corporation is exempt from federal income taxation, after subtracting any deductions from gross income that would be available under the Internal Revenue Code if the income was not exempt from taxation under Section 501(a) of the Internal Revenue Code.

SECTION 10. IC 6-3-2-2.8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.8. Notwithstanding any provision of IC 6-3-1 through IC 6-3-7, there shall be no tax on the adjusted gross income of the following:

(1) Any organization described in Section 501(a) of the Internal Revenue Code, except: ~~that any~~

(A) income of such organization which is subject to income tax under the Internal Revenue Code; and

(B) the net amount excluded from taxable income under Section 501(a) of the Internal Revenue Code from a trade or business that is not directly related to the purposes for which the corporation is exempt from federal income taxation, after subtracting any deductions from gross income that would be available under the Internal Revenue

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**Code if the income was not exempt from taxation under
Section 501(a) of the Internal Revenue Code;**

shall be subject to the tax under IC 6-3-1 through IC 6-3-7.

(2) Any corporation which is exempt from income tax under Section 1363 of the Internal Revenue Code and which complies with the requirements of IC 6-3-4-13. However, income of a corporation described under this subdivision that is subject to income tax under the Internal Revenue Code is subject to the tax under IC 6-3-1 through IC 6-3-7. A corporation will not lose its exemption under this section because it fails to comply with IC 6-3-4-13 but it will be subject to the penalties provided by IC 6-8.1-10.

(3) Banks and trust companies, national banking associations, savings banks, building and loan associations, and savings and loan associations.

(4) Insurance companies subject to tax under IC 27-1-18-2.

(5) International banking facilities (as defined in Regulation D of the Board of Governors of the Federal Reserve System (12 CFR 204)).

SECTION 11. IC 6-3-2-3.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.1. ~~(a) Except as otherwise provided in subsection (b), Income is not of the following entities is exempt from the adjusted gross income tax or (IC 6-3-1 through IC 6-3-7) and the supplemental net income tax under section 2-8(1) of this chapter if the income is derived by the exempt organization from an unrelated trade or business, as defined in Section 513 of the Internal Revenue Code:~~

~~(b) This section does not apply to: (IC 6-3-8):~~

- ~~(1) The United States government.~~
- ~~(2) An agency or instrumentality of the United States government.~~
- ~~(3) This state.~~
- ~~(4) A state agency, as defined in IC 34-6-2-141.~~
- ~~(5) A political subdivision, as defined in IC 34-6-2-110. or~~
- ~~(6) A county solid waste management district or a joint solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal).~~

SECTION 12. IC 6-5.5-2-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 7. Notwithstanding any other provision of this article, there is no tax imposed on the adjusted gross income or apportioned income of the following:

- (1) Insurance companies subject to the tax under IC 27-1-18-2 or



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1 IC 6-2.1.

2 (2) International banking facilities (as defined in Regulation D of
3 the Board of Governors of the Federal Reserve System).

4 (3) Any corporation that is exempt from income tax under Section
5 1363 of the Internal Revenue Code.

6 (4) **Adjusted gross income or apportioned income** of any
7 corporation exempt from federal income taxation under the
8 Internal Revenue Code, except for the corporation's unrelated
9 business income **to the extent that the income is derived from**
10 **activities that are directly related to the purposes for which**
11 **the corporation is exempt from federal income taxation under**
12 **the Internal Revenue Code or the income is from charitable**
13 **contributions (as defined in Section 170 of the Internal**
14 **Revenue Code).** However, this exemption does not apply to a
15 corporation exempt from federal income taxation under Section
16 501(c)(14) of the Internal Revenue Code.

17 SECTION 13. IC 6-8.1-9-14 IS ADDED TO THE INDIANA CODE
18 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
19 JANUARY 1, 2003]: **Sec. 14. (a) The department shall establish,**
20 **administer, and make available a centralized debt collection**
21 **program for use by state agencies to collect delinquent accounts,**
22 **charges, fees, loans, taxes, or other indebtedness owed to or being**
23 **collected by state agencies. The department's collection facilities**
24 **shall be available for use by other state agencies only when**
25 **resources are available to the department.**

26 (b) The commissioner shall prescribe the appropriate form and
27 manner in which collection information is to be submitted to the
28 department.

29 (c) The debt must be delinquent and not subject to litigation,
30 claim, appeal, or review pursuant to the appropriate remedies of
31 a state agency.

32 (d) The department has the authority to collect for the state or
33 claimant agency (as defined in IC 6-8.1-9.5-1) delinquent accounts,
34 charges, fees, loans, taxes, or other indebtedness due the state or
35 claimant agency that has a formal agreement with the department
36 for central debt collection.

37 (e) The formal agreement shall provide that the information
38 provided to the department be sufficient to establish the obligation
39 in court and to render the agreement as a legal judgment on behalf
40 of the state. After transferring a file for collection to the
41 department for collection, the claimant agency shall terminate all
42 collection procedures and be available to provide assistance to the



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department. Upon receipt of a file for collection, the department shall comply with all applicable state and federal laws governing collection of the debt.

(f) The department may use a claimant agency's statutory authority to collect the claimant agency's delinquent accounts, charges, fees, loans, taxes, or other indebtedness owed to the claimant agency.

(g) The department's right to credit against taxes due shall not be impaired by any right granted the department or other state agency under this section.

(h) The department of revenue may charge the claimant agency a fee not to exceed fifteen percent (15%) of any funds the department collects for a claimant agency. Notwithstanding any law concerning delinquent accounts, charges, fees, loans, taxes, or other indebtedness, the fifteen percent (15%) fee shall be added to the amount due to the state or claimant agency when the collection is made.

(i) Fees collected under subsection (h) shall be retained by the department after the debt is collected for the claimant agency and are appropriated to the department for use by the department in administering this section.

(j) The department shall transfer any funds collected from a debtor to the claimant agency within thirty (30) days after the end of the month in which the funds were collected.

(k) When a claimant agency requests collection by the department, the claimant agency shall provide the department with:

- (1) the full name;
- (2) the Social Security number or federal identification number, or both;
- (3) the last known mailing address; and
- (4) additional information that the department may request; concerning the debtor.

(l) The department shall establish a minimum amount that the department will attempt to collect for the claimant agency.

(m) The commissioner shall report, not later than March 1 for the previous calendar year, to the governor, the budget director, and the legislative council concerning the implementation of the centralized debt collection program, the number of debts, the dollar amounts of debts collected, and an estimate of the future costs and benefits that may be associated with the collection program.



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SECTION 14. IC 21-2-11.5-3.1, AS AMENDED BY P.L. 178-2001, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3.1. (a) This subsection does not apply to a school corporation located in a city having a population of more than ~~ninety thousand (90,000) but less than one hundred ten thousand (110,000)~~ **one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000), unless a resolution adopted under IC 6-1.1-17-5.6(d) by the governing body of the school corporation is in effect.** Before a governing body may collect property taxes for the school bus replacement fund in a particular calendar year, the governing body must, after January 1 and not later than September 20 of the immediately preceding year:

(1) conduct a public hearing on; and

(2) pass a resolution to adopt;

a plan under this section.

(b) This subsection applies only to a school corporation located in a city having a population of more than ~~ninety thousand (90,000) but less than one hundred ten thousand (110,000)~~ **one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000). However, this subsection does not apply to the school corporation if a resolution adopted under IC 6-1.1-17-5.6(d) by the governing body of the school corporation is in effect.** Before the governing body of the school corporation may collect property taxes for the school transportation fund's school bus replacement account in a particular calendar year, the governing body must, after January 1 and on or before February 1 of the immediately preceding year:

(1) conduct a public hearing on; and

(2) pass a resolution to adopt;

a plan under this section.

(c) The ~~state board of tax commissioners~~ **department of local government finance** shall prescribe the format of the plan. A plan must apply to at least the ten (10) budget years immediately following the year the plan is adopted. A plan must at least include the following:

(1) An estimate for each year to which it applies of the nature and amount of proposed expenditures from the transportation fund's school bus replacement fund.

(2) A presumption that the minimum useful life of a school bus is not less than ten (10) years.

(3) An identification of:

(A) the source of all revenue to be dedicated to the proposed expenditures in the upcoming budget year; and

(B) the amount of property taxes to be collected in that year

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- 1 and the unexpended balance to be retained in the fund for
 2 expenditures proposed for a later year.
- 3 (4) If the school corporation is seeking to:
 4 (A) acquire; or
 5 (B) contract for transportation services that will provide;
 6 additional school buses or school buses with a larger seating
 7 capacity as compared to the number and type of school buses
 8 from the prior school year, evidence of a demand for increased
 9 transportation services within the school corporation. Clause (B)
 10 does not apply if contracted transportation services are not paid
 11 from the school bus replacement fund.
- 12 (5) If the school corporation is seeking to:
 13 (A) replace an existing school bus earlier than ten (10) years
 14 after the existing school bus was originally acquired; or
 15 (B) require a contractor to replace a school bus;
 16 evidence that the need exists for the replacement of the school
 17 bus. Clause (B) does not apply if contracted transportation
 18 services are not paid from the school bus replacement fund.
- 19 (6) Evidence that the school corporation that seeks to acquire
 20 additional school buses under this section is acquiring or
 21 contracting for the school buses only for the purposes specified in
 22 subdivision (4) or for replacement purposes.
- 23 (d) After reviewing the plan, the ~~state board of tax commissioners~~
 24 **department of local government finance** shall certify its approval,
 25 disapproval, or modification of the plan to the governing body and the
 26 auditor of the county. The ~~state board of tax commissioners~~
 27 **department of local government finance** may seek the
 28 recommendation of the school property tax control board with respect
 29 to this determination. The action of the ~~state board of tax~~
 30 **commissioners department of local government finance** with respect
 31 to the plan is final.
- 32 (e) The ~~state board of tax commissioners~~ **department of local**
 33 **government finance** may approve appropriations from the
 34 transportation fund's school bus replacement fund only if the
 35 appropriations conform to a plan that has been adopted in compliance
 36 with this section.
- 37 (f) A governing body may amend a plan adopted under this section.
 38 When an amendment to a plan is required, the governing body must
 39 declare the nature of and the need for the amendment and must show
 40 cause as to why the original plan no longer meets the transportation
 41 needs of the school corporation. The governing body must then conduct
 42 a public hearing on and pass a resolution to adopt the amendment to the

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1 plan. The plan, as proposed to be amended, must comply with the
 2 requirements for a plan under subsection (c). This amendment to the
 3 plan is not subject to the deadlines for adoption described in subsection
 4 (a) or (b). However, the amendment to the plan must be submitted to
 5 the ~~state board of tax commissioners~~ **department of local government**
 6 **finance** for its consideration and is subject to approval, disapproval, or
 7 modification in accordance with the procedures for adopting a plan set
 8 forth in this section.

9 (g) If a public hearing is scheduled under this section, the governing
 10 body shall publish a notice of the public hearing and the proposed plan
 11 or amendment to the plan in accordance with IC 5-3-1-2(b).

12 SECTION 15. IC 21-2-15-5, AS AMENDED BY P.L.178-2001,
 13 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 14 UPON PASSAGE]: Sec. 5. (a) This subsection does not apply to a
 15 school corporation that is located in a city having a population of more
 16 than ~~ninety thousand (90,000)~~ **but less than one hundred ten thousand**
 17 **(110,000): one hundred five thousand (105,000) but less than one**
 18 **hundred twenty thousand (120,000), unless a resolution adopted**
 19 **under IC 6-1.1-17-5.6(d) by the governing body of the school**
 20 **corporation is in effect.** Before a governing body may collect property
 21 taxes for a capital projects fund in a particular year, the governing body
 22 must, after January 1 and not later than September 20 of the
 23 immediately preceding year, hold a public hearing on a proposed plan
 24 and then pass a resolution to adopt a plan.

25 (b) This subsection applies only to a school corporation that is
 26 located in a city having a population of more than ~~ninety thousand~~
 27 **(90,000) but less than one hundred ten thousand (110,000): one**
 28 **hundred five thousand (105,000) but less than one hundred twenty**
 29 **thousand (120,000). However, this subsection does not apply to the**
 30 **school corporation if a resolution adopted under IC 6-1.1-17-5.6(d)**
 31 **by the governing body of the school corporation is in effect.** Before
 32 the governing body of the school corporation may collect property
 33 taxes for a capital projects fund in a particular year, the governing body
 34 must, after January 1 and on or before February 1 of the immediately
 35 preceding year, hold a public hearing on a proposed plan and then pass
 36 a resolution to adopt a plan.

37 (c) The ~~state board of tax commissioners~~ **department of local**
 38 **government finance** shall prescribe the format of the plan. A plan
 39 must apply to at least the three (3) years immediately following the year
 40 the plan is adopted. A plan must estimate for each year to which it
 41 applies the nature and amount of proposed expenditures from the
 42 capital projects fund. A plan must estimate:



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(1) the source of all revenue to be dedicated to the proposed expenditures in the upcoming calendar year; and

(2) the amount of property taxes to be collected in that year and retained in the fund for expenditures proposed for a later year.

(d) If a hearing is scheduled under subsection (a) or (b), the governing body shall publish the proposed plan and a notice of the hearing in accordance with IC 5-3-1-2(b).

SECTION 16. IC 36-7-26-1, AS AMENDED BY P.L.291-2001, SECTION 200, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE APRIL 1, 2002 (RETROACTIVE)]: Sec. 1. This chapter applies to the following:

(1) A city having a population of more than seventy-five thousand (75,000) but less than ninety thousand (90,000).

(2) A city having a population of more than ~~ninety thousand (90,000)~~ but less than ~~one hundred ten thousand (110,000)~~: **one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000).**

(3) A city having a population of more than one hundred fifty thousand (150,000) but less than five hundred thousand (500,000).

(4) A city having a population of more than one hundred twenty thousand (120,000) but less than one hundred fifty thousand (150,000).

SECTION 17. IC 36-7-26-23, AS AMENDED BY P.L.291-2001, SECTION 202, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE APRIL 1, 2002 (RETROACTIVE)]: Sec. 23. (a) Before the first business day in October of each year, the board shall require the department to calculate the net increment for the preceding state fiscal year. The department shall transmit to the board a statement as to the net increment in sufficient time to permit the board to review the calculation and permit the transfers required by this section to be made on a timely basis.

(b) There is established a sales tax increment financing fund to be administered by the treasurer of state. The fund is comprised of two (2) accounts called the net increment account and the credit account.

(c) On the first business day in October of each year, that portion of the net increment calculated under subsection (a) that is needed:

(1) to pay debt service on the bonds issued under section 24 of this chapter or to pay lease rentals under section 24 of this chapter; and

(2) to establish and maintain a debt service reserve established by the commission or by a lessor that provides local public

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improvements to the commission;
shall be transferred to and deposited in the fund and credited to the net increment account. Money credited to the net increment account is pledged to the purposes described in subdivisions (1) and (2), subject to the other provisions of this chapter.

(d) On the first business day of October in each year, the remainder of:

- (1) eighty percent (80%) of the gross increment; minus
- (2) the amount credited to the net increment account on the same date;

shall be transferred and credited to the credit account.

(e) The remainder of:

- (1) the gross increment; minus
- (2) the amounts credited to the net increment account and the credit account;

shall be deposited by the auditor of state as other gross retail and use taxes are deposited.

(f) A city described in section 1(2), 1(3), or 1(4) of this chapter may receive not more than fifty percent (50%) of the net increment each year. During the time a district exists in a city described in section ~~1(2)~~, 1(3) or 1(4) of this chapter, not more than a total of one million dollars (\$1,000,000) of net increment may be paid to the city described in section ~~1(2)~~, 1(3) or 1(4) of this chapter. **During each year that a district exists in a city described in section 1(2) of this chapter, not more than one million dollars (\$1,000,000) of net increment may be paid to the city described in section 1(2) of this chapter.**

(g) The auditor of state shall disburse all money in the fund that is credited to the net increment account to the commission in equal semiannual installments on November 30 and May 31 of each year.

SECTION 18. IC 36-7-26-24, AS AMENDED BY P.L.185-2001, SECTION 9, AND AS AMENDED BY P.L.291-2001, SECTION 203, IS AMENDED AND CORRECTED TO READ AS FOLLOWS [EFFECTIVE APRIL 1, 2002 (RETROACTIVE)]: Sec. 24. (a) The commission may issue bonds, payable in whole or in part, from money distributed from the fund to the commission, to finance a local public improvement under IC 36-7-14-25.1 or may make lease rental payments for a local public improvement under IC 36-7-14-25.2 and IC 36-7-14-25.3. The term of any bonds issued under this section may not exceed twenty (20) years, nor may the term of any lease agreement entered into under this section exceed twenty (20) years. The commission shall transmit to the board a transcript of the proceedings with respect to the issuance of the bonds or the execution and delivery



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of a lease agreement as contemplated by this section. The transcript must include a debt service or lease rental schedule setting forth all payments required in connection with the bonds or the lease rentals.

(b) On January 15 of each year, the commission shall remit to the treasurer of state the money disbursed from the fund that is credited to the net increment account that exceeds the amount needed to pay debt service or lease rentals and to establish and maintain a debt service reserve under this chapter in the prior year and before May 31 of that year. Amounts remitted under this subsection shall be deposited by the auditor of state as other gross retail and use taxes are deposited.

(c) The commission in a city described in section 1(2) of this chapter may ~~only~~ distribute money from the fund *only* for the following:

- (1) Road, interchange, and right-of-way improvements. ~~and for~~
- (2) **Acquisition costs of a commercial retail facility and for** real property acquisition costs in furtherance of the road, interchange, and right-of-way improvements.
- (3) **Demolition of commercial property and any related expenses incurred before or after the demolition of the commercial property.**
- (4) **For physical improvements or alterations of property that enhance the commercial viability of the district.**

(d) The commission in a city described in section 1(3) of this chapter may distribute money from the fund only for the following purposes:

- (1) For road, interchange, and right-of-way improvements and for real property acquisition costs in furtherance of the road, interchange, and right-of-way improvements.
- (2) For the demolition of commercial property and any related expenses incurred before or after the demolition of the commercial property.

(e) The commission in a city described in section 1(4) of this chapter may distribute money from the fund only for the following purposes:

- (1) For:
 - (A) the acquisition, demolition, and renovation of property; and
 - (B) site preparation and financing; related to the development of housing in the district.
- (2) For physical improvements or alterations of property that enhance the commercial viability of the district.

SECTION 19. IC 6-1.1-10-36.5 IS REPEALED [EFFECTIVE



JANUARY 1, 2003].

SECTION 20. [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)] (a) This SECTION applies notwithstanding:

- (1) IC 6-1.1-3-7.5;
- (2) IC 6-1.1-10-31.1;
- (3) IC 6-1.1-11;
- (4) 50 IAC 4.2-12-1;
- (5) 50 IAC 16-3-2; and
- (6) 50 IAC 16-4-1.

(b) For purposes of this SECTION, "taxpayer" means a taxpayer that filed a personal property tax return under IC 6-1.1-3 for the March 1, 2001, assessment date:

- (1) in a township having a population of more than ninety-three thousand (93,000) but less than one hundred ten thousand (110,000) located in a county containing a consolidated city; and
- (2) on which the taxpayer reported a total assessed value of personal property of more than fifty-five million dollars (\$55,000,000) and less than fifty-six million dollars (\$56,000,000).

(c) A taxpayer may before January 1, 2003, file an amended personal property tax return for the March 1, 2001, assessment date.

(d) With respect to an amended personal property tax return filed under subsection (c), a taxpayer is entitled to an exemption of tangible personal property under IC 6-1.1-10-29, IC 6-1.1-10-29.3, and IC 6-1.1-10-30 based on:

- (1) the total cost of inventory reported on Schedule B of the Form 103 filed as part of the amended personal property tax return; and
- (2) the ratio reported on the Form 103W filed as a part of the taxpayer's return referred to in subsection (b).

(e) A taxpayer shall pay taxes first due and payable in 2002 based on the assessed value of personal property reported in the amended personal property tax return filed under subsection (c).

(f) This SECTION applies only to personal property taxes first due and payable in 2002.

(g) This SECTION expires January 1, 2003.

SECTION 21. [EFFECTIVE UPON PASSAGE] (a) IC 6-1.1-10-36.3 and IC 6-1.1-11-3, both as amended by this act, and the repeal of IC 6-1.1-10-36.5 by this act apply only to property taxes first due and payable after December 31, 2002. The



department of local government finance shall prescribe and make available forms to comply with IC 6-1.1-11-3, as amended by this act, as soon as practicable after the effective date of this SECTION. Notwithstanding IC 6-1.1-11-3, as amended by this act:

(1) a taxpayer that:

(A) qualifies for a one hundred percent (100%) property tax exemption under IC 6-1.1-10-36.3(b)(1); and

(B) is exempt under IC 6-1.1-11-3.5 or IC 6-1.1-11-4 from filing a certified property tax exemption application in calendar year 2002;

is not required by the amendment to IC 6-1.1-11-3 by this act to file an exemption application until required by IC 6-1.1-11-3.5 or IC 6-1.1-11-4; and

(2) a taxpayer whose property tax exemption is changed by the amendment to IC 6-1.1-10-36.3 by this act, or the repeal of IC 6-1.1-10-36.5 has until September 1, 2002, to file a certified application under IC 6-1.1-11-3, as amended by this act, that correctly states the amount of the exemption.

(b) IC 6-2.1-3-23, IC 6-3-1-3.5, IC 6-3-2-2.8, IC 6-3-2-3.1, and IC 6-5.5-2-7, all as amended by this act, apply only to taxable years beginning after December 31, 2003.

(c) IC 6-2.5-5-25, as amended by this act, applies to retail transactions occurring after December 31, 2002. For purposes of IC 6-2.5-5-25, all transactions shall be considered as having occurred after December 31, 2002, to the extent that delivery of the property or services constituting selling at retail is made after that date to the purchaser or to the place of delivery designated by the purchaser. However, a transaction shall be considered as having occurred before January 1, 2003, to the extent that the agreement of the parties to the transaction was entered into before January 1, 2003, and payment for the property or services furnished in the transaction is made before January 1, 2003, notwithstanding the delivery of the property or services after December 31, 2002.

(d) The department of local government finance may adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement IC 6-1.1-10-36.3 and IC 6-1.1-11-3, as amended by this act, and the repeal of IC 6-1.1-10-36.5 by this act. A temporary rule adopted under this subsection expires on the earliest of the following:

(1) The date that another temporary rule adopted under this subsection supersedes the prior temporary rule.

(2) The date that permanent rules adopted under IC 4-22-2



1 supersede the temporary rule.

2 (3) July 1, 2004.

3 (e) The department of state revenue may adopt temporary rules
4 in the manner provided for the adoption of emergency rules under
5 IC 4-22-2-37.1 to implement IC 6-2.1-3-23, IC 6-3-1-3.5,
6 IC 6-3-2-2.8, IC 6-3-2-3.1, and IC 6-5.5-2-7, all as amended by this
7 act. A temporary rule adopted under this subsection expires on the
8 earliest of the following:

9 (1) The date that another temporary rule adopted under this
10 subsection supersedes the prior temporary rule.

11 (2) The date that permanent rules adopted under IC 4-22-2
12 supersede the temporary rule.

13 (3) July 1, 2004.

14 SECTION 22. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1356, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

Page 3, between lines 29 and 30, begin a new paragraph and insert:

"SECTION 4. IC 6-1.1-17-5, AS AMENDED BY P.L.178-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) The officers of political subdivisions shall meet each year to fix the budget, tax rate, and tax levy of their respective subdivisions for the ensuing budget year as follows:

(1) The fiscal body of a consolidated city and county, not later than the last meeting of the fiscal body in September.

(2) The fiscal body of a second class city, not later than September 30.

(3) The board of school trustees of a school corporation that is located in a city having a population of more than ~~ninety thousand (90,000)~~ but less than one hundred ten thousand (110,000); **one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000)**, not later than:

(A) the time required in ~~section 5.6~~ **section 5.6(b)** of this chapter; or

(B) **September 20 if a resolution adopted under section 5.6(d) of this chapter is in effect.**

(4) The proper officers of all other political subdivisions, not later than September 20.

Except in a consolidated city and county and in a second class city, the public hearing required by section 3 of this chapter must be completed at least ten (10) days before the proper officers of the political subdivision meet to fix the budget, tax rate, and tax levy. In a consolidated city and county and in a second class city, that public hearing, by any committee or by the entire fiscal body, may be held at any time after introduction of the budget.

(b) Ten (10) or more taxpayers may object to a budget, tax rate, or tax levy of a political subdivision fixed under subsection (a) by filing an objection petition with the proper officers of the political subdivision not more than seven (7) days after the hearing. The objection petition must specifically identify the provisions of the budget, tax rate, and tax levy to which the taxpayers object.

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(c) If a petition is filed under subsection (b), the fiscal body of the political subdivision shall adopt with its budget a finding concerning the objections in the petition and any testimony presented at the adoption hearing.

(d) This subsection does not apply to a school corporation. Each year at least two (2) days before the first meeting of the county board of tax adjustment held under IC 6-1.1-29-4, a political subdivision shall file with the county auditor:

- (1) a statement of the tax rate and levy fixed by the political subdivision for the ensuing budget year;
- (2) two (2) copies of the budget adopted by the political subdivision for the ensuing budget year; and
- (3) two (2) copies of any findings adopted under subsection (c).

Each year the county auditor shall present these items to the county board of tax adjustment at the board's first meeting.

(e) In a consolidated city and county and in a second class city, the clerk of the fiscal body shall, notwithstanding subsection (d), file the adopted budget and tax ordinances with the county board of tax adjustment within two (2) days after the ordinances are signed by the executive, or within two (2) days after action is taken by the fiscal body to override a veto of the ordinances, whichever is later.

SECTION 5. IC 6-1.1-17-5.6, AS ADDED BY P.L.178-2001, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5.6. (a) This section applies only to a school corporation that is located in a city having a population of more than ~~ninety thousand (90,000) but less than one hundred ten thousand (110,000):~~ **one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000).**

(b) Before February 1 of each year, the officers of the school corporation shall meet to fix the budget for the school corporation for the ensuing budget year, with notice given by the same officers. **However, if a resolution adopted under subsection (d) is in effect, the officers shall meet to fix the budget for the ensuing budget year before September 20.**

(c) Each year, at least two (2) days before the first meeting of the county board of tax adjustment held under IC 6-1.1-29-4, the school corporation shall file with the county auditor:

- (1) a statement of the tax rate and tax levy fixed by the school corporation for the ensuing budget year;
- (2) two (2) copies of the budget adopted by the school corporation for the ensuing budget year; and
- (3) any written notification from the ~~state board of tax~~

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~~commissioners~~ **department of local government finance** under section 16(i) of this chapter that specifies a proposed revision, reduction, or increase in the budget adopted by the school corporation for the ensuing budget year.

Each year the county auditor shall present these items to the county board of tax adjustment at the board's first meeting.

(d) The governing body of the school corporation may adopt a resolution to cease using a school year budget year and return to using a calendar year budget year. A resolution adopted under this subsection must be adopted after January 1 and before July 1. The school corporation's initial calendar year budget year following the adoption of a resolution under this subsection begins on January 1 of the year following the year the resolution is adopted. The first six (6) months of the initial calendar year budget for the school corporation must be consistent with the last six (6) months of the final school year budget fixed by the department of local government finance before the adoption of a resolution under this subsection.

(e) A resolution adopted under subsection (d) may be rescinded by a subsequent resolution adopted by the governing body. If the governing body of the school corporation rescinds a resolution adopted under subsection (d) and returns to a school year budget year, the school corporation's initial school year budget year begins on July 1 following the adoption of the rescinding resolution and ends on June 30 of the following year. The first six (6) months of the initial school year budget for the school corporation must be consistent with the last six (6) months of the last calendar year budget fixed by the department of local government finance before the adoption of a rescinding resolution under this subsection."

Page 11, between lines 38 and 39, begin a new paragraph and insert:

"SECTION 13. IC 6-8.1-9-14 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: **Sec. 14. (a) The department shall establish, administer, and make available a centralized debt collection program for use by state agencies to collect delinquent accounts, charges, fees, loans, taxes, or other indebtedness owed to or being collected by state agencies. The department's collection facilities shall be available for use by other state agencies only when resources are available to the department.**

(b) The commissioner shall prescribe the appropriate form and manner in which collection information is to be submitted to the department.



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(c) The debt must be delinquent and not subject to litigation, claim, appeal, or review pursuant to the appropriate remedies of a state agency.

(d) The department has the authority to collect for the state or claimant agency (as defined in IC 6-8.1-9.5-1) delinquent accounts, charges, fees, loans, taxes, or other indebtedness due the state or claimant agency that has a formal agreement with the department for central debt collection.

(e) The formal agreement shall provide that the information provided to the department be sufficient to establish the obligation in court and to render the agreement as a legal judgment on behalf of the state. After transferring a file for collection to the department for collection, the claimant agency shall terminate all collection procedures and be available to provide assistance to the department. Upon receipt of a file for collection, the department shall comply with all applicable state and federal laws governing collection of the debt.

(f) The department may use a claimant agency's statutory authority to collect the claimant agency's delinquent accounts, charges, fees, loans, taxes, or other indebtedness owed to the claimant agency.

(g) The department's right to credit against taxes due shall not be impaired by any right granted the department or other state agency under this section.

(h) The department of revenue may charge the claimant agency a fee not to exceed fifteen percent (15%) of any funds the department collects for a claimant agency. Notwithstanding any law concerning delinquent accounts, charges, fees, loans, taxes, or other indebtedness, the fifteen percent (15%) fee shall be added to the amount due to the state or claimant agency when the collection is made.

(i) Fees collected under subsection (h) shall be retained by the department after the debt is collected for the claimant agency and are appropriated to the department for use by the department in administering this section.

(j) The department shall transfer any funds collected from a debtor to the claimant agency within thirty (30) days after the end of the month in which the funds were collected.

(k) When a claimant agency requests collection by the department, the claimant agency shall provide the department with:

(1) the full name;

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- (2) the Social Security number or federal identification number, or both;
- (3) the last known mailing address; and
- (4) additional information that the department may request; concerning the debtor.

(l) The department shall establish a minimum amount that the department will attempt to collect for the claimant agency.

(m) The commissioner shall report, not later than March 1 for the previous calendar year, to the governor, the budget director, and the legislative council concerning the implementation of the centralized debt collection program, the number of debts, the dollar amounts of debts collected, and an estimate of the future costs and benefits that may be associated with the collection program.

SECTION 14. IC 21-2-11.5-3.1, AS AMENDED BY P.L.178-2001, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3.1. (a) This subsection does not apply to a school corporation located in a city having a population of more than ~~ninety thousand (90,000)~~ but less than one hundred ten thousand ~~(110,000)~~; **one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000)**, unless a resolution adopted under IC 6-1.1-17-5.6(d) by the governing body of the school corporation is in effect. Before a governing body may collect property taxes for the school bus replacement fund in a particular calendar year, the governing body must, after January 1 and not later than September 20 of the immediately preceding year:

- (1) conduct a public hearing on; and
- (2) pass a resolution to adopt;

a plan under this section.

(b) This subsection applies only to a school corporation located in a city having a population of more than ~~ninety thousand (90,000)~~ but less than one hundred ten thousand ~~(110,000)~~; **one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000)**. However, this subsection does not apply to the school corporation if a resolution adopted under IC 6-1.1-17-5.6(d) by the governing body of the school corporation is in effect. Before the governing body of the school corporation may collect property taxes for the school transportation fund's school bus replacement account in a particular calendar year, the governing body must, after January 1 and on or before February 1 of the immediately preceding year:

- (1) conduct a public hearing on; and
- (2) pass a resolution to adopt;



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a plan under this section.

(c) The ~~state board of tax commissioners~~ **department of local government finance** shall prescribe the format of the plan. A plan must apply to at least the ten (10) budget years immediately following the year the plan is adopted. A plan must at least include the following:

(1) An estimate for each year to which it applies of the nature and amount of proposed expenditures from the transportation fund's school bus replacement fund.

(2) A presumption that the minimum useful life of a school bus is not less than ten (10) years.

(3) An identification of:

(A) the source of all revenue to be dedicated to the proposed expenditures in the upcoming budget year; and

(B) the amount of property taxes to be collected in that year and the unexpended balance to be retained in the fund for expenditures proposed for a later year.

(4) If the school corporation is seeking to:

(A) acquire; or

(B) contract for transportation services that will provide; additional school buses or school buses with a larger seating capacity as compared to the number and type of school buses from the prior school year, evidence of a demand for increased transportation services within the school corporation. Clause (B) does not apply if contracted transportation services are not paid from the school bus replacement fund.

(5) If the school corporation is seeking to:

(A) replace an existing school bus earlier than ten (10) years after the existing school bus was originally acquired; or

(B) require a contractor to replace a school bus; evidence that the need exists for the replacement of the school bus. Clause (B) does not apply if contracted transportation services are not paid from the school bus replacement fund.

(6) Evidence that the school corporation that seeks to acquire additional school buses under this section is acquiring or contracting for the school buses only for the purposes specified in subdivision (4) or for replacement purposes.

(d) After reviewing the plan, the ~~state board of tax commissioners~~ **department of local government finance** shall certify its approval, disapproval, or modification of the plan to the governing body and the auditor of the county. The ~~state board of tax commissioners~~ **department of local government finance** may seek the recommendation of the school property tax control board with respect

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to this determination. The action of the ~~state board of tax commissioners~~ **department of local government finance** with respect to the plan is final.

(e) The ~~state board of tax commissioners~~ **department of local government finance** may approve appropriations from the transportation fund's school bus replacement fund only if the appropriations conform to a plan that has been adopted in compliance with this section.

(f) A governing body may amend a plan adopted under this section. When an amendment to a plan is required, the governing body must declare the nature of and the need for the amendment and must show cause as to why the original plan no longer meets the transportation needs of the school corporation. The governing body must then conduct a public hearing on and pass a resolution to adopt the amendment to the plan. The plan, as proposed to be amended, must comply with the requirements for a plan under subsection (c). This amendment to the plan is not subject to the deadlines for adoption described in subsection (a) or (b). However, the amendment to the plan must be submitted to the ~~state board of tax commissioners~~ **department of local government finance** for its consideration and is subject to approval, disapproval, or modification in accordance with the procedures for adopting a plan set forth in this section.

(g) If a public hearing is scheduled under this section, the governing body shall publish a notice of the public hearing and the proposed plan or amendment to the plan in accordance with IC 5-3-1-2(b).

SECTION 15. IC 21-2-15-5, AS AMENDED BY P.L.178-2001, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) This subsection does not apply to a school corporation that is located in a city having a population of more than ~~ninety thousand (90,000) but less than one hundred ten thousand (110,000):~~ **one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000), unless a resolution adopted under IC 6-1.1-17-5.6(d) by the governing body of the school corporation is in effect.** Before a governing body may collect property taxes for a capital projects fund in a particular year, the governing body must, after January 1 and not later than September 20 of the immediately preceding year, hold a public hearing on a proposed plan and then pass a resolution to adopt a plan.

(b) This subsection applies only to a school corporation that is located in a city having a population of more than ~~ninety thousand (90,000) but less than one hundred ten thousand (110,000):~~ **one hundred five thousand (105,000) but less than one hundred twenty**



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thousand (120,000). However, this subsection does not apply to the school corporation if a resolution adopted under IC 6-1.1-17-5.6(d) by the governing body of the school corporation is in effect. Before the governing body of the school corporation may collect property taxes for a capital projects fund in a particular year, the governing body must, after January 1 and on or before February 1 of the immediately preceding year, hold a public hearing on a proposed plan and then pass a resolution to adopt a plan.

(c) The ~~state board of tax commissioners~~ **department of local government finance** shall prescribe the format of the plan. A plan must apply to at least the three (3) years immediately following the year the plan is adopted. A plan must estimate for each year to which it applies the nature and amount of proposed expenditures from the capital projects fund. A plan must estimate:

- (1) the source of all revenue to be dedicated to the proposed expenditures in the upcoming calendar year; and
- (2) the amount of property taxes to be collected in that year and retained in the fund for expenditures proposed for a later year.

(d) If a hearing is scheduled under subsection (a) or (b), the governing body shall publish the proposed plan and a notice of the hearing in accordance with IC 5-3-1-2(b).

SECTION 16. IC 36-7-26-1, AS AMENDED BY P.L.291-2001, SECTION 200, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE APRIL 1, 2002 (RETROACTIVE)]: Sec. 1. This chapter applies to the following:

- (1) A city having a population of more than seventy-five thousand (75,000) but less than ninety thousand (90,000).
- (2) A city having a population of more than ~~ninety thousand (90,000)~~ **but less than one hundred ten thousand (110,000): one hundred five thousand (105,000) but less than one hundred twenty thousand (120,000).**
- (3) A city having a population of more than one hundred fifty thousand (150,000) but less than five hundred thousand (500,000).
- (4) A city having a population of more than one hundred twenty thousand (120,000) but less than one hundred fifty thousand (150,000).

SECTION 17. IC 36-7-26-23, AS AMENDED BY P.L.291-2001, SECTION 202, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE APRIL 1, 2002 (RETROACTIVE)]: Sec. 23. (a) Before the first business day in October of each year, the board shall require the department to calculate the net increment for the preceding state



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fiscal year. The department shall transmit to the board a statement as to the net increment in sufficient time to permit the board to review the calculation and permit the transfers required by this section to be made on a timely basis.

(b) There is established a sales tax increment financing fund to be administered by the treasurer of state. The fund is comprised of two (2) accounts called the net increment account and the credit account.

(c) On the first business day in October of each year, that portion of the net increment calculated under subsection (a) that is needed:

(1) to pay debt service on the bonds issued under section 24 of this chapter or to pay lease rentals under section 24 of this chapter; and

(2) to establish and maintain a debt service reserve established by the commission or by a lessor that provides local public improvements to the commission;

shall be transferred to and deposited in the fund and credited to the net increment account. Money credited to the net increment account is pledged to the purposes described in subdivisions (1) and (2), subject to the other provisions of this chapter.

(d) On the first business day of October in each year, the remainder of:

(1) eighty percent (80%) of the gross increment; minus

(2) the amount credited to the net increment account on the same date;

shall be transferred and credited to the credit account.

(e) The remainder of:

(1) the gross increment; minus

(2) the amounts credited to the net increment account and the credit account;

shall be deposited by the auditor of state as other gross retail and use taxes are deposited.

(f) A city described in section 1(2), 1(3), or 1(4) of this chapter may receive not more than fifty percent (50%) of the net increment each year. During the time a district exists in a city described in section ~~1(2)~~, 1(3) or 1(4) of this chapter, not more than a total of one million dollars (\$1,000,000) of net increment may be paid to the city described in section ~~1(2)~~, 1(3) or 1(4) of this chapter. **During each year that a district exists in a city described in section 1(2) of this chapter, not more than one million dollars (\$1,000,000) of net increment may be paid to the city described in section 1(2) of this chapter.**

(g) The auditor of state shall disburse all money in the fund that is credited to the net increment account to the commission in equal

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semiannual installments on November 30 and May 31 of each year.

SECTION 18. IC 36-7-26-24, AS AMENDED BY P.L.185-2001, SECTION 9, AND AS AMENDED BY P.L.291-2001, SECTION 203, IS AMENDED AND CORRECTED TO READ AS FOLLOWS [EFFECTIVE APRIL 1, 2002 (RETROACTIVE)]: Sec. 24. (a) The commission may issue bonds, payable in whole or in part, from money distributed from the fund to the commission, to finance a local public improvement under IC 36-7-14-25.1 or may make lease rental payments for a local public improvement under IC 36-7-14-25.2 and IC 36-7-14-25.3. The term of any bonds issued under this section may not exceed twenty (20) years, nor may the term of any lease agreement entered into under this section exceed twenty (20) years. The commission shall transmit to the board a transcript of the proceedings with respect to the issuance of the bonds or the execution and delivery of a lease agreement as contemplated by this section. The transcript must include a debt service or lease rental schedule setting forth all payments required in connection with the bonds or the lease rentals.

(b) On January 15 of each year, the commission shall remit to the treasurer of state the money disbursed from the fund that is credited to the net increment account that exceeds the amount needed to pay debt service or lease rentals and to establish and maintain a debt service reserve under this chapter in the prior year and before May 31 of that year. Amounts remitted under this subsection shall be deposited by the auditor of state as other gross retail and use taxes are deposited.

(c) The commission in a city described in section 1(2) of this chapter may ~~only~~ distribute money from the fund ~~only~~ for the following:

- (1) Road, interchange, and right-of-way improvements. ~~and for~~
- (2) Acquisition costs of a commercial retail facility and for** real property acquisition costs in furtherance of the road, interchange, and right-of-way improvements.
- (3) Demolition of commercial property and any related expenses incurred before or after the demolition of the commercial property.**
- (4) For physical improvements or alterations of property that enhance the commercial viability of the district.**

(d) The commission in a city described in section 1(3) of this chapter may distribute money from the fund only for the following purposes:

- (1) For road, interchange, and right-of-way improvements and for real property acquisition costs in furtherance of the road, interchange, and right-of-way improvements.



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(2) For the demolition of commercial property and any related expenses incurred before or after the demolition of the commercial property.

(e) The commission in a city described in section 1(4) of this chapter may distribute money from the fund only for the following purposes:

(1) For:

(A) the acquisition, demolition, and renovation of property; and

(B) site preparation and financing; related to the development of housing in the district.

(2) For physical improvements or alterations of property that enhance the commercial viability of the district."

Page 11, between lines 40 and 41, begin a new paragraph and insert:

"SECTION 20. [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)] (a) **This SECTION applies notwithstanding:**

(1) IC 6-1.1-3-7.5;

(2) IC 6-1.1-10-31.1;

(3) IC 6-1.1-11;

(4) 50 IAC 4.2-12-1;

(5) 50 IAC 16-3-2; and

(6) 50 IAC 16-4-1.

(b) For purposes of this SECTION, "taxpayer" means a taxpayer that filed a personal property tax return under IC 6-1.1-3 for the March 1, 2001, assessment date:

(1) in a township having a population of more than ninety-three thousand (93,000) but less than one hundred ten thousand (110,000) located in a county containing a consolidated city; and

(2) on which the taxpayer reported a total assessed value of personal property of more than fifty-five million dollars (\$55,000,000) and less than fifty-six million dollars (\$56,000,000).

(c) A taxpayer may before January 1, 2003, file an amended personal property tax return for the March 1, 2001, assessment date.

(d) With respect to an amended personal property tax return filed under subsection (c), a taxpayer is entitled to an exemption of tangible personal property under IC 6-1.1-10-29, IC 6-1.1-10-29.3, and IC 6-1.1-10-30 based on:

(1) the total cost of inventory reported on Schedule B of the Form 103 filed as part of the amended personal property tax

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return; and

(2) the ratio reported on the Form 103W filed as a part of the taxpayer's return referred to in subsection (b).

(e) A taxpayer shall pay taxes first due and payable in 2002 based on the assessed value of personal property reported in the amended personal property tax return filed under subsection (c).

(f) This SECTION applies only to personal property taxes first due and payable in 2002.

(g) This SECTION expires January 1, 2003."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1356 as introduced.)

BAUER, Chair

Committee Vote: yeas 20, nays 2.

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